

**PROVIDENCE WATER
EXHIBIT 1**

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Cost of Service Summary
Providence Water

	<u>Adjusted</u> <u>Test Year</u>	<u>Combined</u> <u>Adjustments</u>	<u>Proforma</u> <u>Old Rates</u>	<u>Additional</u> <u>Revenue</u> <u>Requirement</u>	<u>Proforma</u> <u>New rates</u>
<u>Revenue</u>					
Retail Water Sales	\$25,495,738	(\$366,419)	\$25,129,319		
Wholesale	10,850,226	-416,079	10,434,147		
Retail Service Charge	3,303,620	-156,875	3,146,745		
Private Fire Service Charge	673,843	287,095	960,938		
Public Fire protection	1,086,200	6,614	1,092,814		
Miscellaneous Income	<u>1,042,942</u>	<u>198,629</u>	<u>1,241,571</u>		
Total Revenue	42,452,569	-447,035	42,005,534	\$4,736,969 11.28%	\$46,742,502
<u>Expenses</u>					
				<u>Rebuttal</u> <u>Adjustments</u>	
Operation and Maintenance	18,940,634	3,116,446	22,057,080	-519,980	21,537,100
City Service Expense	806,769	0	806,769	0	806,769
Property Taxes	4,805,320	894,723	5,700,043	-129,102	5,570,941
Capital Labor	<u>836,967</u>	<u>68,297</u>	<u>905,264</u>	<u>0</u>	<u>905,264</u>
Net Operations	25,389,690	4,079,466	29,469,156	-649,082	28,820,074
Capital Fund Cash	942,272	0	942,272		942,272
Debt Service CIP Fund	1,507,728	0	1,507,728		1,507,728
Western Cranston Fund	150,000		150,000		150,000
Infrastructure Replacement	9,208,782	0	9,208,782		9,208,782
Debt Service IFR Fund	3,291,218	0	3,291,218		3,291,218
102" Valve	500,000	0	500,000		500,000
Alternative Source of Supply	150,000	0	150,000		150,000
Meter Replacement	400,000	0	400,000		400,000
Equipment Replacement	<u>1,100,000</u>	<u>0</u>	<u>1,100,000</u>	<u>0</u>	<u>1,100,000</u>
Net Restricted	17,250,000	0	17,250,000	0	17,250,000
Total Expense	<u>42,639,690</u>	<u>4,079,466</u>	<u>46,719,156</u>	<u>-649,082</u>	<u>46,070,074</u>
Revenues Over (Under) Expenses (1)	<u>(\$187,121)</u>	<u>(\$4,526,501)</u>	<u>(\$4,713,623)</u>	<u>\$5,386,051</u>	<u>\$672,428</u>

(1) Includes Net Operating Revenue at 1.5%, see CA-5 for calculation.

Summary of Rebuttal Adjustments
Providence Water

<u>Description</u>	Rebuttal Adjustments to <u>Test Year</u>
Retail Water Sales	\$0
Wholesale	41,185
Retail Service Charge	4,864
Private Fire Service Charge	349
Public Fire protection	6,614
Miscellaneous Income	<u>0</u>
Total Revenue	\$53,012
<u>Expenses</u>	
Employee Cost Increases	231,970
Employee Benefits	26,632
Rate Case Expense Amortization	30,000
Chemical Cost Normalization	108,805
State License Expense	25,000
Computer Maintenance	<u>97,573</u>
Sub-total O & M	519,980
Property Tax Expense	<u>129,102</u>
Total Expense Adjustments	649,082
Net Operating Income adjustment (1)	<u>9,736</u>
Total Expense	<u>\$658,818</u>

(1) Net Operating Income adjustment at 1.5% of Total Expense Adjustments.

Original Additional Revenue Requirement	\$5,448,798
less revenue adjustment	-53,012
less total expense adjustment	<u>-658,818</u>
Revised Additional Revenue Requirement (CA-1)	<u>\$4,736,968</u>

Calculation of Proforma Revenues at Old Rates**Providence Water**

	<u>Average Consumption</u>	<u>Docket 3163 Rates</u>	<u>Proforma Old Rates</u>
<u>Retail Metered Revenue</u>			
Residential	10,155,307	\$1.61	\$16,350,045
Commercial	4,770,757	\$1.54	7,346,965
Industrial	<u>954,873</u>	\$1.50	<u>1,432,309</u>
Sub-total Retail	15,880,937		25,129,319
Wholesale	<u>13,717,261</u>	\$0.760658	<u>10,434,147</u>
Sub-total Metered	29,598,198		35,563,466
<u>Non-metered Water Revenue</u>			
	<u>Units</u>		
Service Charge Residential	64,478		2,719,582
Commercial	6,229		375,950
Industrial	685		51,214
Private Fire Service Charge	<u>1,392</u>		<u>960,938</u>
Sub-total Service Charge	72,784		4,107,683
Public Fire Supply	5,783	\$188.97	<u>1,092,814</u>
Sub-total Non-metered			5,200,497
Total Water Revenue			40,763,963
Miscellaneous Revenue			<u>1,241,571</u>
Grand Total Revenue			<u>\$42,005,534</u>

CA-2a REBUT

Calculation of Service Charge and Fire Supply Revenue
Providence Water

Residential			D3163	D3163			Quarterly Acct	Monthly Acct	
Meter Size	Number	Number	Rate	Rate	Revenue	Revenue	Revenue	Revenue	Total
(inches)	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Annually</u>	<u>Annually</u>	<u>Revenue</u>
5/8	50,563	0	\$10.00	\$5.95	\$505,630.00	\$0.00	\$2,022,520.00	\$0.00	\$2,022,520.00
3/4	8,149	0	10.71	6.16	87,275.79	0.00	349,103.16	0.00	349,103.16
1	4,256	0	12.57	6.78	53,497.92	0.00	213,991.68	0.00	213,991.68
1-1/2	814	0	15.05	7.60	12,250.70	0.00	49,002.80	0.00	49,002.80
2	643	0	21.88	9.88	14,068.84	0.00	56,275.36	0.00	56,275.36
3/4	6	0	72.16	26.64	432.96	0.00	1,731.84	0.00	1,731.84
4	6	0	90.79	32.85	544.74	0.00	2,178.96	0.00	2,178.96
6	28	0	134.24	47.33	3,758.72	0.00	15,034.88	0.00	15,034.88
8	12	0	183.90	63.89	2,206.80	0.00	8,827.20	0.00	8,827.20
10	1	0	228.91	78.89	228.91	0.00	915.64	0.00	915.64
12	<u>0</u>	<u>0</u>	273.92	93.89	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Totals	64,478	0			\$679,895.38	\$0.00	\$2,719,581.52	\$0.00	\$2,719,581.52

Commercial			D3163	D3163			Quarterly Acct	Monthly Acct	
Meter Size	Number	Number	Rate	Rate	Revenue	Revenue	Revenue	Revenue	Total
(inches)	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Annually</u>	<u>Annually</u>	<u>Revenue</u>
5/8	2,770	0	\$10.00	\$5.95	\$27,700.00	\$0.00	\$110,800.00	\$0.00	\$110,800.00
3/4	927	0	10.71	6.16	9,928.17	0.00	39,712.68	0.00	39,712.68
1	741	0	12.57	6.78	9,314.37	0.00	37,257.48	0.00	37,257.48
1-1/2	582	0	15.05	7.60	8,759.10	0.00	35,036.40	0.00	35,036.40
2	1,090	0	21.88	9.88	23,849.20	0.00	95,396.80	0.00	95,396.80
3	22	0	72.16	26.64	1,587.52	0.00	6,350.08	0.00	6,350.08
4	32	0	90.79	32.85	2,905.28	0.00	11,621.12	0.00	11,621.12
6	45	0	134.24	47.33	6,040.80	0.00	24,163.20	0.00	24,163.20
8	16	0	183.90	63.89	2,942.40	0.00	11,769.60	0.00	11,769.60
10	3	0	228.91	78.89	686.73	0.00	2,746.92	0.00	2,746.92
12	<u>1</u>	<u>0</u>	273.92	93.89	<u>273.92</u>	<u>0.00</u>	<u>1,095.68</u>	<u>0.00</u>	<u>1,095.68</u>
Totals	6,229	0			\$93,987.49	\$0.00	\$375,949.96	\$0.00	\$375,949.96

Industrial			D3163	D3163			Quarterly Acct	Monthly Acct	
Meter Size	Number	Number	Rate	Rate	Revenue	Revenue	Revenue	Revenue	Total
(inches)	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Annually</u>	<u>Annually</u>	<u>Revenue</u>
5/8	206	0	\$10.00	\$5.95	\$2,060.00	\$0.00	\$8,240.00	\$0.00	\$8,240.00
3/4	81	0	10.71	6.16	867.51	0.00	3,470.04	0.00	3,470.04
1	65	0	12.57	6.78	817.05	0.00	3,268.20	0.00	3,268.20
1-1/2	87	0	15.05	7.60	1,309.35	0.00	5,237.40	0.00	5,237.40
2	223	0	21.88	9.88	4,879.24	0.00	19,516.96	0.00	19,516.96
3	4	0	72.16	26.64	288.64	0.00	1,154.56	0.00	1,154.56
4	5	0	90.79	32.85	453.95	0.00	1,815.80	0.00	1,815.80
6	9	0	134.24	47.33	1,208.16	0.00	4,832.64	0.00	4,832.64
8	5	0	183.90	63.89	919.50	0.00	3,678.00	0.00	3,678.00
10	0	0	228.91	78.89	0.00	0.00	0.00	0.00	0.00
12	<u>0</u>	<u>0</u>	273.92	93.89	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Totals	685	0			\$12,803.40	\$0.00	\$51,213.60	\$0.00	\$51,213.60

Total Retail			D3163	D3163			Quarterly Acct	Monthly Acct	
Meter Size	Number	Number	Rate	Rate	Revenue	Revenue	Revenue	Revenue	Total
(inches)	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Annually</u>	<u>Annually</u>	<u>Revenue</u>
5/8	53,539	0	\$10.00	\$5.95	\$535,390.00	\$0.00	\$2,141,560.00	\$0.00	\$2,141,560.00
3/4	9,157	0	10.71	6.16	98,071.47	0.00	392,285.88	0.00	392,285.88
1	5,062	0	12.57	6.78	63,629.34	0.00	254,517.36	0.00	254,517.36
1-1/2	1,483	0	15.05	7.60	22,319.15	0.00	89,276.60	0.00	89,276.60
2	1,956	0	21.88	9.88	42,797.28	0.00	171,189.12	0.00	171,189.12
3	32	0	72.16	26.64	2,309.12	0.00	9,236.48	0.00	9,236.48
4	43	0	90.79	32.85	3,903.97	0.00	15,615.88	0.00	15,615.88
6	82	0	134.24	47.33	11,007.68	0.00	44,030.72	0.00	44,030.72
8	33	0	183.90	63.89	6,068.70	0.00	24,274.80	0.00	24,274.80
10	4	0	228.91	78.89	915.64	0.00	3,662.56	0.00	3,662.56
12	<u>1</u>	<u>0</u>	273.92	93.89	<u>273.92</u>	<u>0.00</u>	<u>1,095.68</u>	<u>0.00</u>	<u>1,095.68</u>
Totals	71,392	0			\$786,686.27	\$0.00	\$3,146,745.08	\$0.00	\$3,146,745.08

Fire Supply			D3163	D3163			Quarterly Acct	Monthly Acct	
Meter Size	Number	Number	Rate	Rate	Revenue	Revenue	Revenue	Revenue	Total
(inches)	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Annually</u>	<u>Annually</u>	<u>Revenue</u>

5/8	0	0	\$9.03	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
3/4	9	0	10.77	0.00	96.96	0.00	387.84	0.00	387.84
1	14	0	14.26	0.00	199.64	0.00	798.56	0.00	798.56
1-1/2	2	0	23.00	0.00	46.00	0.00	184.00	0.00	184.00
2	23	0	33.48	0.00	770.04	0.00	3,080.16	0.00	3,080.16
3	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	227	0	92.87	0.00	21,081.49	0.00	84,325.96	0.00	84,325.96
6	976	0	180.22	0.00	175,894.72	0.00	703,578.88	0.00	703,578.88
8	133	0	285.03	0.00	37,908.99	0.00	151,635.96	0.00	151,635.96
10	1	0	407.30	0.00	407.30	0.00	1,629.20	0.00	1,629.20
12	<u>7</u>	<u>0</u>	547.05	0.00	<u>3,829.35</u>	<u>0.00</u>	<u>15,317.40</u>	<u>0.00</u>	<u>15,317.40</u>
Totals	1,392	0			\$240,234.49	\$0.00	\$960,937.96	\$0.00	\$960,937.96

Updated from Div 1-22

Detail Cost of Service - Expense

CA-3 REBUT

Providence Water

	<u>Adjusted</u>	<u>PW Original</u>	<u>PW Agreed</u>	<u>Proforma</u>
	<u>Test Year</u>	<u>Combined</u>	<u>to Division</u>	<u>Rate Year</u>
		<u>Adjustments</u>	<u>Adjustments</u>	
<u>Source of Supply</u>				
60110 Salaries + Wages - Emp	\$373,721	\$30,496	(\$7,773)	\$396,444
60120 Salaries + Wages - Emp	227,456	18,560	-4,731	241,285
60320 Sal. + Wages - Officers, Dir	0	0		0
60410 Employee Pension + Ben	97,215	23,205		120,420
60420 Employee Pension + Ben	61,873	14,769		76,642
61510 Purchase Power	0	0		0
61610 Fuel for Power Purch	5,996	0		5,996
62010 Material + Supplies	5,773	0		5,773
62020 Material + Supplies	29,723	0		29,723
63110 Contractual Services - Engineer	2,964	0		2,964
63420 Contractual Services - Mgt. Fees	0	0		0
63510 Contractual Services - Other	31,112	0		31,112
63520 Contractual Services - Other	15,501	0		15,501
64210 Rental of Equipment	905	0		905
64220 Rental of Equipment	889	0		889
65010 Transportation Exp.	20,945	0		20,945
65020 Transportation Exp.	3,331	0		3,331
67510 Misc. Expenses	15,507	0		15,507
67520 Misc. Expenses	<u>90</u>	<u>0</u>		<u>90</u>
Total-Source of Supply	893,001	87,030	-12,504	967,527
<u>Pumping</u>				
60123 Salaries + Wages - Emp	16,251	1,326	-338	17,239
60126 Salaries + Wages - Emp	7,052	575	-147	7,480
60423 Employee Pension + Ben	5,172	1,235		6,407
60426 Employee Pension + Ben	1,252	299		1,551
61523 Purchase Power	491,527	0		491,527
61623 Fuel for Power Purch	18,383	0		18,383
62023 Material + Supplies	0	0		0
62026 Material + Supplies	2,629	0		2,629
63123 Contractual Services - Engineer	20,084	0		20,084
63126 Contractual Services - Engineer	0	0		0
63523 Contractual Services - Other	12,939	0		12,939
63526 Contractual Services - Other	14,035	0		14,035
64223 Rental of Equipment	0	0		0
64226 Rental of Equipment	0	0		0
65023 Transportation Exp.	1,253	0		1,253
67523 Misc. Expenses	0	0		0
67526 Misc. Expenses	<u>0</u>	<u>0</u>		<u>0</u>
Total-Pumping	590,577	3,434	-485	593,527

Water Treatment

60130	Salaries + Wages - Emp	1,410,419	115,090	-29,336	1,496,173
60140	Salaries + Wages - Emp	522,367	42,625	-10,865	554,127
60430	Employee Pension + Ben	340,349	81,241		421,590
60440	Employee Pension + Ben	155,883			155,883
61530	Purchase Power	117,147	0		117,147
61630	Fuel for Power Purch	48,904	0		48,904
61830	Chemicals	850,979	0	-108,805	742,174
62030	Material + Supplies	58,844	0		58,844
62040	Material + Supplies	79,736	0		79,736
63140	Contractual Services - Engineer	0	0		0
63240	Contract Services - Acctg	0	0		0
63430	Contractual Services - Mgt. Fees	15,398	0		15,398
63530	Contractual Services - Other	59,024	400,000		459,024
63540	Contractual Services - Other	64,502	0		64,502
64140	Rental Buildg/Real Prop	-2,410	0		-2,410
64230	Rental of Equipment	7,377	0		7,377
64240	Rental of Equipment	0	0		0
65030	Transportation Exp.	4	0		4
65640	Insurance Vehicle	0	0		0
65830	Insurance - W/C	0	0		0
65840	Insurance - W/C	0	0		0
66730	Regularoty Com Exp. -Other	0	0		0
67530	Misc. Expenses	98,983	0	-25,000	73,983
67540	Misc. Expenses	<u>113</u>	<u>0</u>		<u>113</u>
	Total-Water Treat. Exp.	3,827,619	676,165	-174,005	4,329,778

Transmission & Distribution

60150	Salaries + Wages - Emp	734,304	134,881	-16,714	852,471
60160	Salaries + Wages - Emp	2,007,337	163,799	-41,751	2,129,385
60250	Payroll Clearing -Emp	-836,967	-68,297	17,408	-887,856
60260	Payroll Clearing -Emp	0	0	0	0
60450	Employee Pension + Ben	177,911	42,467		220,378
60460	Employee Pension + Ben	587,700	140,283		727,983
60550	Overhead Rate Applied	0	0		0
60560	Overhead Rate Applied	0	0		0
61550	Purchase Power	3,320	0		3,320
62050	Material + Supplies	115,319	0		115,319
62060	Material + Supplies	16,299	0		16,299
62560	Inventory Clearing	0	0		0
63150	Contractual Services - Engineer	22,610	0		22,610
63460	Contractual Services - Mgt. Fees	0	0		0
63550	Contractual Services - Other	232,670	0		232,670
63560	Contractual Services - Other	87,549	0		87,549
64150	Rental Buildg/Real Prop	0	0		0
64160	Rental Buildg/Real Prop	-45,039	0		-45,039
64250	Rental of Equipment	5,985	0		5,985

64260	Rental of Equipment	0	0	0
65060	Transportation Exp.	0	0	0
65850	Insurance W/C	0	0	0
65860	Insurance W/C	0	0	0
65950	Insurance Other	0	0	0
67550	Misc. Expenses	19,415	0	19,415
67560	Misc. Expenses	<u>30</u>	<u>0</u>	<u>30</u>
Total-Trans/Dist Exp.		3,128,443	413,133	-41,057
				3,500,519

Customer Accounts

60170	Salaries + Wages - Emp	1,601,940	208,419	-34,813	1,775,546
60270	Payroll Clearing -Emp	0	0		0
60470	Employee Pension + Ben	448,957	107,165		556,122
60570	Overhead Rate Applied	0	0		0
61670	Fuel for Power Purch	0	0		0
62070	Material + Supplies	8,521	0		8,521
63370	Contractual Services - Legal	46,914	0		46,914
63570	Contractual Services - Other	35,513	0		35,513
65870	Insurance - Other	854	0		854
65970	Insurance Other	0	0		0
67570	Misc. Expenses	<u>112,714</u>	<u>0</u>		<u>112,714</u>
Total-Cust Accts Exp		2,255,413	315,584	-34,813	2,536,184

Administration

60180	Salaries + Wages - Emp	4,050,871	371,618	-85,053	4,337,436
60280	Payroll Clearing -Emp	0	0		0
60380	Salaries + wages - Officers, Dir.	21,565	1,760	-449	22,876
60480	Employee Pension + Ben	1,573,536	1,618,607	-26,632	3,165,511
60580	Overhead Rate Applied	0	0		0
61580	Purchase Power	42,303	0		42,303
61680	Fuel for Power Purch	92,295	0		92,295
62080	Material + Supplies	140,840	0		140,840
63180	Contractual Services - Engineer	27,800	0		27,800
63280	Contract Services - Acctg	61,364	0		61,364
63380	Contractual Services - Legal	88,944	0		88,944
63480	Contractual Services - Mgt. Fees	11,658	0		11,658
63580	Contractual Services - Other	616,595	0	-97,573	519,022
64180	Rental Buildg/Real Prop	0	0		0
64280	Rental of Equipment	14,642	0		14,642
65080	Transportation Exp.	243,051	0		243,051
65780	Ins. Gen. Liability	437,235	-414,220		23,015
65880	Insurance - W/C	216,887	0		216,887
65980	Insurance Other	5,100	0		5,100
66080	Advertising Expense	0	0		0
66680	Reg Com Exp - Amort of Rate Cas	15,881	0		15,881
66780	Regulatory Com Exp. -Other	167,566	43,334	-30,000	180,900

67580	Misc. Expenses	<u>417,447</u>	<u>0</u>		<u>417,447</u>
	Total-Admin/Gen Exp	8,245,581	1,621,099	-239,707	9,626,973
	Total Operation and Maintance	\$18,940,634	3,116,446	-502,571	21,554,509
	<u>Other Expenditures</u>				
	City Services	806,769	0		806,769
	Property Taxes	4,805,320	894,723	-129,102	5,570,941
	Capital Labor	836,967	68,297	-17,408	887,856
	Capital Fund Cash	942,272	0		942,272
	Debt Service CIP Fund	1,507,728	0		1,507,728
	Western Cranston Fund	150,000	0		150,000
	Infrastructure Replacement (1)	9,208,782	0		9,208,782
	Debt Service IFR Fund	3,291,218	0		3,291,218
	102" Valve	500,000	0		500,000
	Alternative Source of Supply	150,000	0		150,000
	Meter Replacement	400,000	0		400,000
	Equipment Replacement	<u>1,100,000</u>	<u>0</u>		<u>1,100,000</u>
	Total Other Expenditures	<u>23,699,056</u>	<u>963,020</u>	<u>-146,510</u>	<u>24,515,566</u>
	GRAND TOTAL	<u>\$42,639,690</u>	<u>\$4,079,466</u>	<u>(\$649,082)</u>	<u>\$46,070,075</u>

CA-4 REBUT

TEST YEAR REVENUES BY RATE CLASS
PROVIDENCE WATER

	<u># of Customers</u>	<u>Consumption HCF</u>	Calendar Year <u>2001</u>
<u>Metered Revenue</u>			
Residential	64,196	10,139,457	\$16,300,557
Commercial	7,099	5,099,446	\$7,853,147
Industrial	1,004	876,268	\$1,314,402
Private Fire Supply	<u>0</u>		<u>\$27,632</u>
Sub-total Retail	72,299	16,115,171	\$25,495,738
Wholesale	<u>11</u>	<u>14,385,280</u>	<u>\$10,850,226</u>
Sub-total Metered	72,310	30,500,451	\$36,345,964
<u>Non-metered Water Revenue</u>			
Retail Service Charge			\$3,303,620
Private Fire Supply Service Charge			\$673,843
Public Fire Supply	# of Hydrants	<u>5,748</u>	<u>\$1,086,200</u>
Sub-total Non-metered			\$5,063,663
Total Water Revenue			<hr/> \$41,409,627
Miscellaneous Revenue			<u>\$1,042,942</u>
Grand Total Revenue			<u>\$42,452,569</u>

CA-5 REBUT

Calculation of Net Operating Revenue
Providence Water

<u>Item</u>	<u>Pro Forma Amount</u>
Operation & Maintenance	\$21,537,100
City Service Expense	806,769
Property Taxes	5,570,941
Capital Labor	905,264
Capital Fund Cash	942,272
Debt Service CIP Fund	1,507,728
Western Cranston Fund	150,000
Infrastructure Replacement	9,208,782
Debt Service IFR Fund	3,291,218
102" Valve	500,000
Alternative Source of Supply	150,000
Meter Replacement	400,000
Equipment Replacement	<u>1,100,000</u>
Subtotal Pro-Forma Expenses	46,070,074
less: Misc. Revenue	<u>1,241,571</u>
Subtotal	44,828,503
plus: Net operating revenue(1)	<u>672,428</u>
Net Revenue Requirement	<u>\$45,500,931</u>

Note: (1) Allocated at 1.5%

Adjusted Metered Water Sales (HCF)**Providence Water**

	<u>FYE 99</u>	<u>FYE 00</u>	<u>FYE 01</u>	<u>FYE 02 *</u>	4 year <u>Average</u>	<u>Adjustments</u>	Pro-Forma <u>CY2002</u>
<u>Retail</u>							
Residential	9,851,691	10,940,406	9,562,082	10,267,050	10,155,307		10,155,307
Commercial	4,538,279	5,244,331	4,624,608	4,675,809	4,770,757		4,770,757
Industrial	<u>1,193,317</u>	<u>1,066,386</u>	<u>715,583</u>	<u>844,205</u>	<u>954,873</u>		<u>954,873</u>
Sub-total Retail	15,583,287	17,251,123	14,902,273	15,787,064	15,880,937	0	15,880,937
<u>Wholesale</u>							
East Providence	2,639,225	2,446,455	2,445,707	2,346,770	2,469,539		2,469,539
East Smithfield	352,433	346,859	352,643	333,442	346,344		346,344
Greenville	397,660	451,908	442,520	445,396	434,371		434,371
Kent County	3,285,936	3,276,576	3,262,932	3,512,628	3,334,518		3,334,518
Smithfield	412,072	421,404	452,268	447,447	433,298		433,298
Warwick	4,456,791	4,828,433	4,938,345	4,372,840	4,649,102		4,649,102
Lincoln	1,011,350	1,041,247	1,037,210	1,047,007	1,034,204		1,034,204
Johnston	328,503	298,382	272,531	199,022	274,610		274,610
Bristol County	<u>322,527</u>	<u>667,993</u>	<u>624,460</u>	<u>1,350,122</u>	<u>741,276</u>	<u>0</u>	<u>741,276</u>
Sub-total Wholesale	13,206,497	13,779,257	13,828,616	14,054,674	13,717,261	0	13,717,261
Grand Total	<u>28,789,784</u>	<u>31,030,380</u>	<u>28,730,889</u>	<u>29,841,738</u>	<u>29,598,198</u>	<u>0</u>	<u>29,598,198</u>

* FYE 02 for Wholesale updated

Calculation of Retail Water Rates**Providence Water**

<u>Retail Consumption:</u>		<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Percentage Increase</u>
Residential	per HCF	\$1.61	\$1.80	11.62%
Commercial	per HCF	\$1.54	\$1.72	11.62%
Industrial	per HCF	\$1.50	\$1.67	11.62%

Service Charge:		<u>Quarterly</u>		Percentage	<u>Monthly</u>		Percentage
<u>(Meter size inches)</u>		<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Increase</u>	<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Increase</u>
5/8		\$10.00	\$11.16	11.62%	\$5.95	\$6.64	11.62%
3/4		\$10.71	\$11.95	11.62%	\$6.16	\$6.88	11.62%
1		\$12.57	\$14.03	11.62%	\$6.78	\$7.57	11.62%
1-1/2		\$15.05	\$16.80	11.62%	\$7.60	\$8.48	11.62%
2		\$21.88	\$24.42	11.62%	\$9.88	\$11.03	11.62%
3		\$72.16	\$80.54	11.62%	\$26.64	\$29.74	11.62%
4		\$90.79	\$101.34	11.62%	\$32.85	\$36.67	11.62%
6		\$134.24	\$149.84	11.62%	\$47.33	\$52.83	11.62%
8		\$183.90	\$205.27	11.62%	\$63.89	\$71.31	11.62%
10		\$228.91	\$255.51	11.62%	\$78.89	\$88.06	11.62%
12		\$273.92	\$305.75	11.62%	\$93.89	\$104.80	11.62%

<u>Wholesale</u>	per HCF	\$0.760658	\$0.849047	11.62%
	per Million Gallons	\$1,017.00	\$1,135.18	11.62%

<u>Public Fire Supply</u>	per Hydrant	\$188.97	\$210.93	11.62%
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Private Fire Supply:		<u>Quarterly</u>		Percentage
<u>(Service size inches)</u>		<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Increase</u>
3/4		\$10.77	\$12.02	11.62%
1		\$14.26	\$15.92	11.62%
1-1/2		\$23.00	\$25.67	11.62%
2		\$33.48	\$37.37	11.62%
4		\$92.87	\$103.66	11.62%
6		\$180.22	\$201.16	11.62%
8		\$285.03	\$318.15	11.62%
10		\$407.30	\$454.63	11.62%
12		\$547.05	\$610.62	11.62%

Calculation of Revenues at Present and Proposed Rates

Providence Water

	<u>Consumption</u> <u>/Units</u>	<u>Current</u> <u>Rates</u>	<u>Revenues</u> <u>Current</u>	<u>Proposed</u> <u>Rates</u>	<u>Revenues</u> <u>Proposed</u>	<u>Percent</u> <u>Increase</u>
Retail Customers						
Residential	10,155,307	\$1.61	\$16,350,045	\$1.80	\$18,249,920	11.62%
Commercial	4,770,757	\$1.54	\$7,346,965	\$1.72	\$8,200,683	11.62%
Industrial	<u>954,873</u>	\$1.50	<u>\$1,432,309</u>	\$1.67	<u>\$1,598,743</u>	11.62%
Sub-total Retail	15,880,937		\$25,129,319		\$28,049,346	
Wholesale Customers	<u>13,717,261</u>	\$0.760658	<u>\$10,434,147</u>	\$0.849047	<u>\$11,646,595</u>	11.62%
Total Consumption Revenue	29,598,198		\$35,563,466		\$39,695,941	11.62%
Residential Service Charges			\$2,719,582		\$3,035,597	11.62%
Commercial Service Charges			\$375,950		\$419,635	11.62%
Industrial Service Charges			<u>\$51,214</u>		<u>\$57,165</u>	11.62%
Sub-total Service Charges			\$3,146,745		\$3,512,397	11.62%
Private Fire Supply			\$960,938		\$1,072,599	11.62%
Hydrant Charges	5,783	\$188.97	<u>\$1,092,814</u>	\$210.93	<u>\$1,219,798</u>	11.62%
Sub-total Fire Protection			\$2,053,751		\$2,292,397	
Total Water Revenue			\$40,763,963		\$45,500,735	11.62%
Miscellaneous Revenues			<u>1,241,571</u>		<u>1,241,571</u>	0.00%
TOTAL REVENUE			\$42,005,534		\$46,742,306	11.28%
		Rate Increase			<u>\$4,736,772</u>	

Providence Water

Rate Impact

	<u>D 3163 Rates</u>	<u>Proposed Rate</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>	<u>Proposed Quarterly Bill</u>
<u>Residential</u>					
100 HCF w/ 5/8 meter					
Customer Charge	\$40.00	\$44.65	\$4.65		
Consumption	<u>\$161.00</u>	<u>\$179.71</u>	<u>\$18.71</u>		
Total 100 HCF	<u>\$201.00</u>	<u>\$224.36</u>	<u>\$23.36</u>	11.62%	56.09
<u>Commercial</u>					
2,000 HCF w/ 2in meter					
Customer Charge	\$87.52	\$97.69	\$10.17		
Consumption	<u>\$3,080.00</u>	<u>\$3,437.90</u>	<u>\$357.90</u>		
Total 2000 HCF	<u>\$3,167.52</u>	<u>\$3,535.59</u>	<u>\$368.07</u>	11.62%	883.90
<u>Industrial</u>					
10,000 HCF w/ 6in. meter					
Customer Charge	\$536.96	\$599.35	\$62.39		
Consumption	<u>\$15,000.00</u>	<u>\$16,743.00</u>	<u>\$1,743.00</u>		
Total 10,000 HCF	<u>\$15,536.96</u>	<u>\$17,342.35</u>	<u>\$1,805.39</u>	11.62%	4,335.59
<u>Industrial (Large)</u>					
50,000 HCF w/ 10in. meter					
Customer Charge	\$915.64	\$1,022.04	\$106.40		
Consumption	<u>\$75,000.00</u>	<u>\$83,715.00</u>	<u>\$8,715.00</u>		
Total 50,000 HCF	<u>\$75,915.64</u>	<u>\$84,737.04</u>	<u>\$8,821.40</u>	11.62%	21,184.26
	<u>D 3163 Rates</u>	<u>Proposed Rate</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>	<u>Monthly Bill</u>
<u>Wholesale</u>					
400,000 HCF	\$304,263	\$339,619	\$35,355	11.62%	\$28,302
2,500,000 HCF	\$1,901,645	\$2,122,617	\$220,971	11.62%	\$176,885

Rate Comparison
Providence Water

Retail Consumption Charge

<u>Class</u>		<u>Current</u> <u>Rate</u>	<u>Proposed</u> <u>Rate</u>	<u>Net</u> <u>Change</u>	<u>%</u> <u>Change</u>
Residential	per HCF	\$1.61	\$1.80	\$0.19	11.62%
Commercial	per HCF	\$1.54	\$1.72	\$0.18	11.62%
Industrial	per HCF	\$1.50	\$1.67	\$0.17	11.62%

Retail Service Charge	Private Fire Service Charge
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<u>Meter/Service</u> <u>(inches)</u>	<u>Current</u> <u>Quarterly</u>	<u>Proposed</u> <u>Quarterly</u>	<u>Net</u> <u>Change</u>	<u>%</u> <u>Change</u>	<u>Current</u> <u>Monthly</u>	<u>Proposed</u> <u>Monthly</u>	<u>Net</u> <u>Change</u>	<u>%</u> <u>Change</u>	<u>Current</u> <u>Quarterly</u>	<u>Proposed</u> <u>Quarterly</u>	<u>Net</u> <u>Change</u>	<u>%</u> <u>Change</u>
5/8	\$10.00	\$11.16	\$1.16	11.62%	\$5.95	\$6.64	\$0.69	11.62%	-	-	-	-
3/4	\$10.71	\$11.95	\$1.24	11.62%	\$6.16	\$6.88	\$0.72	11.62%	\$10.77	\$12.02	\$1.25	11.62%
1	\$12.57	\$14.03	\$1.46	11.62%	\$6.78	\$7.57	\$0.79	11.62%	\$14.26	\$15.92	\$1.66	11.62%
1-1/2	\$15.05	\$16.80	\$1.75	11.62%	\$7.60	\$8.48	\$0.88	11.62%	\$23.00	\$25.67	\$2.67	11.62%
2	\$21.88	\$24.42	\$2.54	11.62%	\$9.88	\$11.03	\$1.15	11.62%	\$33.48	\$37.37	\$3.89	11.62%
3	\$72.16	\$80.54	\$8.38	11.62%	\$26.64	\$29.74	\$3.10	11.62%	-	-	-	-
4	\$90.79	\$101.34	\$10.55	11.62%	\$32.85	\$36.67	\$3.82	11.62%	\$92.87	\$103.66	\$10.79	11.62%
6	\$134.24	\$149.84	\$15.60	11.62%	\$47.33	\$52.83	\$5.50	11.62%	\$180.22	\$201.16	\$20.94	11.62%
8	\$183.90	\$205.27	\$21.37	11.62%	\$63.89	\$71.31	\$7.42	11.62%	\$285.03	\$318.15	\$33.12	11.62%
10	\$228.91	\$255.51	\$26.60	11.62%	\$78.89	\$88.06	\$9.17	11.62%	\$407.30	\$454.63	\$47.33	11.62%
12	\$273.92	\$305.75	\$31.83	11.62%	\$93.89	\$104.80	\$10.91	11.62%	\$547.05	\$610.62	\$63.57	11.62%

Based on Meter Size

Based on Meter Size

Based on Service Size

Wholesale Consumption Charge

	<u>Current</u> <u>Rate</u>	<u>Proposed</u> <u>Rate</u>	<u>Net</u> <u>Change</u>	<u>%</u> <u>Change</u>
Per Million Gallons	\$1,017.00	#####	\$118.18	11.62%

Hydrant Charge

	<u>Current</u> <u>Rate</u>	<u>Proposed</u> <u>Rate</u>	<u>Net</u> <u>Change</u>	<u>%</u> <u>Change</u>
Per Hydrant Per Year	\$188.97	\$210.93	\$21.96	11.62%

Cost of Service and Revenue Detail at New Rates**Providence Water**

	<u>Adjusted Test Year</u>	<u>Combined Adjustments</u>	<u>Proforma Old Rates</u>	<u>Additional Revenue Requirement</u>	<u>Proforma New rates</u>
<u>Revenue</u>					
Retail Water Sales	\$25,495,738	(\$366,419)	\$25,129,319	\$2,920,027	\$28,049,346
Wholesale	\$10,850,226	(\$416,079)	\$10,434,147	\$1,212,448	\$11,646,595
Retail Service Charge	\$3,303,620	-156,875	\$3,146,745	\$365,652	\$3,512,397
Private Fire Service Charge	\$673,843	287,095	\$960,938	\$111,661	1,072,599
Public Fire protection	\$1,086,200	6,614	\$1,092,814	\$126,985	1,219,798
Miscellaneous Income	<u>1,042,942</u>	<u>198,629</u>	<u>1,241,571</u>	<u>0</u>	<u>1,241,571</u>
Total Revenue	42,452,569	-447,035	42,005,534	\$4,736,772 11.28%	\$46,742,306
<u>Expenses</u>					
				<u>Rebuttal Adjustments</u>	
Operation and Maintenance	\$18,940,634	\$3,116,446	22,057,080	-519,980	21,537,100
City Service Expense	\$806,769	\$0	806,769		806,769
Property Taxes	\$4,805,320	\$894,723	5,700,043	-129,102	5,570,941
Capital Labor	\$836,967	\$68,297	905,264		905,264
Capital Fund Cash	\$942,272	\$0	942,272		942,272
Debt Service CIP Fund	\$1,507,728	\$0	1,507,728		1,507,728
Western Cranston Fund	\$150,000	\$0	150,000		150,000
Infrastructure Replacement	\$9,208,782	\$0	9,208,782		9,208,782
Debt Service IFR Fund	\$3,291,218	\$0	3,291,218		3,291,218
102" Valve	\$500,000	\$0	500,000		500,000
Alternative Source of Supply	\$150,000	\$0	150,000		150,000
Meter Replacement	\$400,000	\$0	400,000		400,000
Equipment Replacement	<u>\$1,100,000</u>	<u>\$0</u>	<u>1,100,000</u>		<u>1,100,000</u>
Total Expense	42,639,690	4,079,466	46,719,156	-649,082	46,070,074
Revenues Over (Under) Expenses (1)	<u>(\$187,121)</u>	<u>(\$4,526,501)</u>	<u>(\$4,713,623)</u>	<u>\$5,385,854</u>	<u>\$672,232</u>

(1) Includes Net Operating Revenue at 1.5%, see CA-5 for calculation.